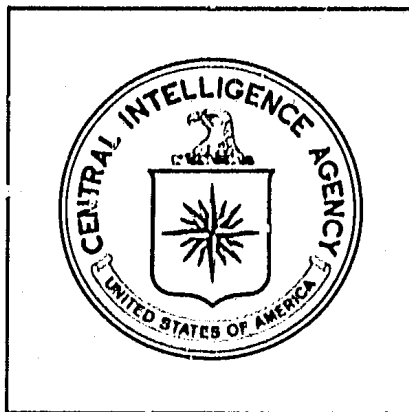


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# STAFF NOTES:

## Soviet Union Eastern Europe

State Department review completed

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East German Leaders Monitor Economic Problems

East Germany's foreign trade problems are commanding increasing attention in the party's top councils as the regime begins preparations for the party congress scheduled for next May.

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There have been several indications that the party leadership is displeased with the performance of the "export offensive" to the non-communist world that was launched last year to help offset rising hard-currency imports. [REDACTED]

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The party is apparently placing the blame for the shortcomings squarely on the shoulders of the foreign trade enterprises, ignoring the question of acceptability of East German goods in the West and general decline in Western demand. [REDACTED]

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Focusing the blame on the foreign trade enterprises places Foreign Trade Minister Soelle and Werner Jarowsky, party secretary for trade and supply, under the gun. The latter is one of the few remaining "bright young men" of the Ulbricht regime. [REDACTED]

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Romania's Hungarian Minority

The nearly two million ethnic Hungarians living in Romania constitute the largest minority group in any East European country. There is a legacy of animosity between Hungarians and Romanians, but the US embassy in Bucharest believes that Ceausescu's stringent domestic policies have not been carried out at the expense of the Hungarian minority.

The embassy points out that:

- Regime policies such as the ban on lodging tourists in private dwellings applies to all citizens, not just Hungarians.
- The 1974 newsprint and publishing cutbacks were evenly applied to Magyar and non-Magyar publications.
- The trial of Magyar writer Zoltan Kallos was not a case of cultural oppression, but of punishment for homosexuality.

The embassy also reports that some ethnic Hungarian intellectuals "appreciate the political ambiguities" in which they operate. While eager for greater cultural latitude, they are reportedly equally cool to Hungary's pro-Soviet posture and the prospect of more Soviet influence in Transylvania.

Some Hungarians in and outside Romania take a different view of the situation. Budapest has nevertheless been under pressure from nationalists at home to exercise its self-appointed role as protector of the Hungarians in Transylvania. A particularly sensitive issue is the use of the Hungarian language in schools. Budapest has, in

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fact, been working behind the scenes in an effort to persuade the Romanians to correct certain "distortions" in history courses and texts and to import more books from Hungary.

The embassy points out--and we agree--that Romania's long-term policy is to assimilate the Magyar minority. Rather than acting directly against the Magyars, however, the Romanians hope that further industrialization will increase mobility, mix the population, and eventually erode the identity of the Hungarian minority in Romania.

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CEMA Price Negotiations for 1975 Still Under Way

Price changes for CEMA trade this year reportedly are still being negotiated but will apply retroactively to January 1, 1975. Under the new system, each country will hold bilateral talks with its CEMA trading partners to set prices based on 1972-74 average world market prices.

Prices established by each country in negotiations with the Soviet Union are generally being used as a guide for further negotiations between East European countries. Beginning in 1976, prices will be changed annually and will be based on the previous five year world market averages.

As expected, 1975 price increases announced for fuels and raw materials are outdistancing price boosts for other commodities. The price of Soviet crude oil has been hiked 140 percent, natural gas 100 percent, electric power 50 percent, and pig iron 58 percent. Polish prices for consumer goods and Hungarian prices for machinery and equipment sold to the Soviet Union will increase by only 25 percent and 15 percent respectively.

Poland and Romania will be least affected by higher Soviet prices. Price increases in Soviet-Romanian trade should balance; Romania, which imports no Soviet oil, will export about 100,000 tons of petroleum to the USSR this year. For Poland, a doubling in the price of coal exports will offset more than 60 percent of the increased prices of all fuel and power imports from the USSR.

Hungary has been the only East European country to reveal details of price talks with other East European countries. The resource-poor Hungarians have concluded agreements with the USSR,

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Poland, and Czechoslovakia. Prices of Hungarian goods were raised less than the prices of its partner countries, resulting in terms of trade declines ranging from an estimated 10-15 percent with the USSR to 5 percent with Czechoslovakia. Price negotiations with Bulgaria and Romania are apparently still continuing, but are unlikely to favor the Hungarians. The East Germans and Hungarians will not change their bilateral trade prices this year, probably because the price changes would be offsetting.

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